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ABSTRACT

This document examines employment and social policy in the European Union in 1999-2001. The document begins with an interview with Anna Diamantopoulou, the European Union's commissioner for employment and social affairs and the paper "Balancing Jobs, Cohesion, and Productivity" by Odile Quintin, the European Union's director-general for employment and social affairs. The following are among the topics discussed in the document's nine sections: (1) the European employment strategy (full-employment policies based on the pillars of employability, entrepreneurship, adaptability, and equal opportunities); (2) the relationship between economic, employment, and social policy and strategies for meeting the employment and social goals set by European Union member country leaders in Lisbon in 2000; (3) improving labor market access for disadvantaged sections of the community, including women, the long-term unemployed, and the elderly; (4) mobility and the new European labor markets (access to information on job vacancies, mobility, and learning opportunities; transferability of pensions); (5) jobs in the information society; (6) moving forward on social dialogue and working arrangements (modernization of labor relations; sectoral social dialogue; corporate restructuring and social responsibility; anticipation of change); (7) achieving a productive and inclusive society; (8) modern and sustainable social protection as a productive factor; and (9) preparing for enlargement of the European Union. (Contains 23 tables/figures/boxes.) (MN)

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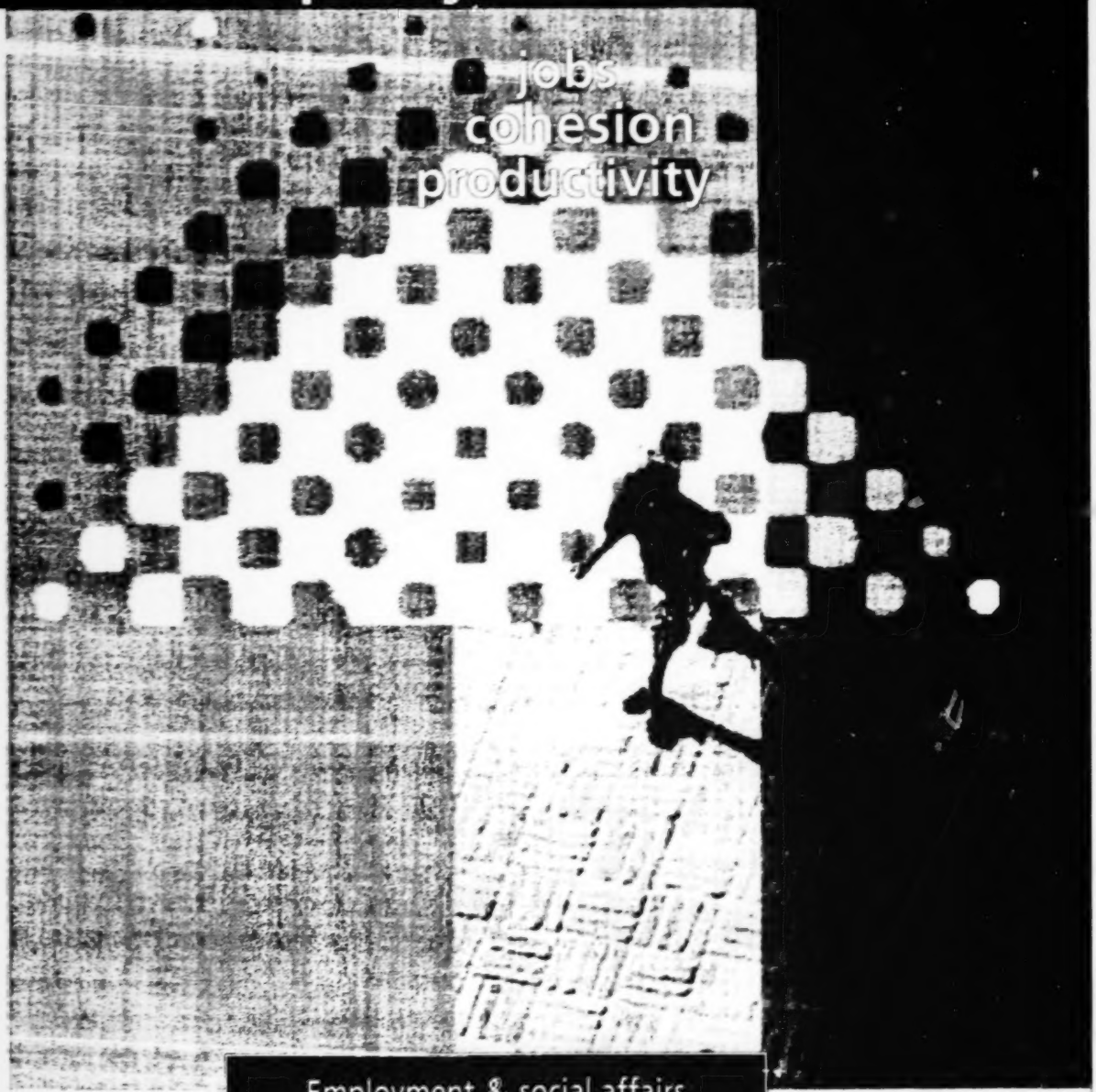

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It can be accessed through the Europa server (http://europa.eu.int).

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"EU employment and social policy 1999-2001: jobs, cohesion, productivity"

Interview with **Anna Diamantopoulou,** 2
Commissioner for Employment and Social Affairs

Balancing jobs, cohesion and productivity 4
Odile Quintin, Director-General for Employment and Social Affairs

Section 1 6
Getting Europe back to work.
The European Employment Strategy

Section 2 12
The interaction of economic, employment and social policy:
putting Lisbon into practice

Section 3 14
Improving labour-market access for disadvantaged sections of
the community

Section 4 18
Mobility and new European labour markets

Section 5 20
Jobs in the information society

Section 6 24
Moving forward on social dialogue and working arrangements

Section 7 30
A productive and inclusive society

Section 8 36
Modern and sustainable social protection as a productive factor

Section 9 41
Preparing for enlargement

Interview with Anna Diamantopoulou

Commissioner for Employment and Social Affairs

Nearly half way through your term of office what do you think are your main achievements of the last two years, and what are your goals for the second half?

I think it is a bit early to start shouting about achievements. My goals are to build on present gains so that when I leave office people will see what we have done and say "she made a difference." I am particularly happy about the way things are going in three areas: job creation, modernisation of social policies and equal opportunities. I inherited from my predecessor the job creation strategy adopted in Luxembourg in 1997 and we have worked hard at encouraging Member States to adopt active employment policies. The fruits are encouraging - last year we created 3 million jobs and employment rose by 1.8%. We may do less well this year because the Union's growth rate has slowed down.

Equally important is the progress towards modernising the European social model that the heads of state or government set as an objective in Lisbon in March 2000. This is a really crucial aspect to their strategic goal of making the European Union "the most competitive and dynamic knowledge-based economy in the world."

At the same time we are moving impressively forward on equal opportunities by the steady extension of what is known in the jargon as "gender mainstreaming".

What does this mean?

In a few words it means taking practical measures to make sure equal opportunity for women is built into every policy measure. We have to overcome "gender blindness" in the shaping and implementation of a broad range of policies. For example on our initiative, Member States have agreed a set of equality indicators such as female participation in private and public decision-making centres. They are also mainstreaming in education and social policies. During the recent Swedish presidency we brought information society policies into the mainstreaming orbit while during the current Belgian presidency we shall insert concrete wording into the broad economic guidelines which help to shape macroeconomic policies in the Member States.

Inside the Commission, meanwhile, each Commissioner is committed to certain equal opportunities goals for his or her portfolio and will report progress every year.

You have been very keen to stress the positive economic and social value of European social policy, why have you felt this necessary?

Because there has been a tendency to regard social policy as a net cost rather than net benefit to the economy and society. In fact, European social policy is helping to modernise the European economy and make it more competitive by encouraging the reform of policies that were really conceived and developed in a bygone industrial age. Cooperation at the European level enables us to identify best practices and encourage all Member States to adapt them to their particular needs. It is also the case that European cooperation can help to create a political consensus in the Member States in favour of difficult reforms.

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Many commentators claim that Europe's competitiveness is being seriously eroded by overgenerous and outdated social provision. Do you have a reform agenda and are the Member States responding?

I think we are well on our way towards a different kind of social policy for a different kind of economy. And our goal is to enable all our people to achieve their human potential. In many countries, labour market policies in particular are hindering rather than helping individual growth and development by creating real disincentives to work. Social policy has to respond to social change in many areas – for example, we are having to take into account the phenomenon of single parent families and the impact of life expectancy stretching into the eighth decade. Member states are responding to these challenges. There are cases where we would like progress to be faster, but we recognise they have to persuade their citizens to accept change.

We have seen a healthy, but still inadequate fall in unemployment in the last three years. What role has European social policy played in job creation?

Quite simply, it has been helping people to drop into jobs rather than drop out of society. The basis of job creation is clearly high economic growth and employment policy. With out social policies people become excluded from the labour market. Opportunities shrink for those who are marginalised and cannot find a job. We cannot say that social policy alone creates jobs, but it is one side of the creative triangle - the others are economic and employment policies - which combine to make it possible for people to find work.

The Commission recently issued a Green Paper on corporate social responsibility. Why did you think it necessary for the Commission to take positions on this issue?

We are living in an era of fundamental change in which all institutions must re-examine their roles and ways of being.. Among other things, companies must accept a change of role. They must now be protagonists in sustainable development, which means they will have other purposes apart from that of making profits. They should now contribute positively to environmental and social development – this is the so-called "triple bottom line" approach to the corporate mission. What is more, companies should not just award themselves marks for respecting legislation and international conventions. They should go beyond them and raise existing standards – in the relationships between workers and the company, and with society at the local and regional levels as well as in the international dimension.

The Commission's mission is two-fold: to help companies move forward on CSR and to try to achieve a global consensus on verification and evaluation procedures. At the moment, there are no independent mechanisms for measuring companies' performances against their CSR objectives. Progress towards a verification mechanism is one of the first priorities of our Green Paper. We are very interested in companies' reactions to this.

You have shown a lot of interest in development issues. What do these have to do with social policy?

The demonstrations in Seattle, Gothenburg and Genoa make it clear that globalisation has failed on social and environmental issues. Economic governance is not enough in itself. There is a need for social governance. There are few other global instruments with which to influence social policy apart from development aid. I would like to see our development policies use incentives, not sanctions to promote human rights, social standards and social policy.

Balancing jobs, cohesion and productivity

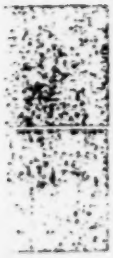
Odile Quintin, Director-General for Employment and Social Affairs

The European Union has turned an important page with regard to employment and social policy. Amsterdam, Lisbon and Nice will be remembered as milestones in this development.

Employment and social policy are at the top of the political agenda. The political momentum is strong and expectations of the public have risen.

Several measures to modernise and improve our European social model are being taken. More initiatives will be launched.

Why do we need to modernise and improve the European social model? The answer is clear. Not to undermine its principles. The European social model stands for good economic performance and social fairness. Social standards do not only contribute to justice and solidarity; they also underpin economic development. These principles remain today as valid as ever before. However, adjustment is needed to help us to continue to convert these principles into concrete results today and tomorrow. That this is not easy is shown in the imperfections of our systems and social situation. It should not disillusion us; it should strengthen our commitment to pursue these shared European values.



The guiding principle for these adjustments is 'quality'. In our Social Policy Agenda for the period until 2005, the promotion of quality – in work, in social policy and in industrial relations – is the vehicle to focus our priorities and review policies.

Modernisation is needed to confront the challenges we are facing. They are demographic and technological. They also stem from the internationalisation of the economy and the future enlargement of the European Union. Every day, many Europeans feel the impact of industrial change and the push and pull effect of the economic markets. At a time many businesses see employees as their main resource and factor of production, these very workers are immediately at the centre of these transformations as well. The answer here is not in trying to stop the course of history, but rather in accompanying these changes. Improving employability and adaptability will be amongst the policy responses elaborated in this publication; so will be the focus on anticipating change and strengthening and supporting corporate social responsibility.

At the centre of the new strategy on economic and social renewal is the integrated approach. Economic, employment and social policies are to be designed so as to reinforce one another mutually. For instance, improving the quality of work increases the quality of output of that work and thus strengthens the competitive position of European companies. The European Union is committed to continue to combine good social conditions with high productivity and high quality goods and services. More and better employment in a dynamic and competitive economy strengthens social cohesion.

This is also a crucial message to the candidate countries. The Union encourages them in the path of modernisation and striving for quality that they have chosen. Complying with the legislative acquis is part of this overall effort to move towards mutually reinforcing economic, employment and social policies. Another part of this effort is for candidate countries to gradually join the existing EU processes by transposing in their national policies the objectives of the Union as proposed by the Göteborg European Council.

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Modernising and improving our employment and social policies are imperative. The instruments are available.

One of the main reasons Europe is now in a better position than ever to help shape policy is the availability of a wider range of instruments. These include legislation, social dialogue and financial incentives, either through the European Social Fund or action programmes. These also include the new tool known as the open method of co-ordination. This is a policy-making instrument based on benchmarking, exchange of information and peer group review. However, the level of success in modernising and improving the European social model will strongly depend on whether we achieve the optimal combination of these working methods. It will also depend on the active involvement of all relevant actors at all levels, especially the social partners and NGOs.

As this publication will show, an enormous impetus has indeed been given by the new forms of co-operation at European level. Labour markets are being reformed; poverty is being fought and social inclusion promoted; social protection systems are being reviewed. These crucial domains are a matter of common concern and common interest for the Member States of the European Union. In an integrated economy, policies in these fields may have a direct impact on the partner countries. Therefore, co-operation and partnership have become the key words on these matters at European level.

However, the European Union remains at the same time committed to the establishment of standards and rules, resulting from legislation or contractual agreements by the social partners. One example here concerns health and safety at work. The existing European legislation and prevention policy has played a crucial role in bringing down the numbers of accidents and periods of sickness associated with the workplace. Human suffering has been effectively reduced; costs have been slashed. However, new situations create new risks. The European Union will not turn a blind eye to them.

Furthermore, financial instruments support policies and play a main role in exchange of experience and increasing awareness. I would like to draw in particular attention here to the European year of people with disabilities in 2003.

In short, our social policy agenda is precisely about ensuring that economic and social progress can go hand in hand in a world in which rapid change has become the norm. It is the road map for policy and action in the employment and social sphere for the coming years. It is a coherent framework for new initiatives aimed at economic and social reforms as part of a positive strategy, which combines in a sustainable way dynamism, innovation and competitiveness with more and better jobs and social cohesion. As this publication shows, it is already starting to bear fruit.

Odile Quintin
Director-General for Employment and Social Affairs

Getting Europe back to work
The European employment strategy

1) From Luxembourg to Lisbon

By late 1997, unemployment in Europe stood at 17 million: 17 million people with talent and initiative that were going to waste. While the United States was enjoying a sustained boom — with low inflation and record employment levels — much of the European Union was suffering from high joblessness, sluggish job creation and lower levels of participation. In addressing the profound damage that unemployment does to the social fabric and the individual, EU leaders agreed at the Luxembourg Summit to deem joblessness a common European problem. To combat it, they undertook to implement a coordinated strategy based on a common method (the Employment Title of the Amsterdam Treaty) and a common framework for action (the employment guidelines). Progress towards the objectives laid down in the guidelines would from then on be monitored by the European Council through an annual review of national action plans for employment.

Luxembourg process: coordination mechanism of Art. 128 (1)

- The European Council agrees **employment guidelines** for the Member States on an annual basis
- Each Member State draws up an annual **national action plan** (NAP) which describes how these guidelines are being put into national practice.
- The Commission and the Council jointly examine NAPs and present a **joint employment report** to the European Council. The Commission also presents a new proposal to revise the employment guidelines for the following year.
- The Council, on the basis of the conclusions by the Heads of State or Government, formally approves revised **employment guidelines** for the following year.
- The Council may also decide, by qualified majority, to issue **country-specific recommendations** on a proposal by the Commission.

Now into its fourth year, the European employment strategy (EES) introduced three new ways of policy-making.

- It follows an integrated approach to reducing unemployment and promoting job creation: unlike traditional labour-market policy, the EES pursues a holistic approach consistent with sound macroeconomic and structural policy, which also deploys other policies (education, taxation, industrial, social and regional) in support of employment. This approach is reflected throughout the **four pillars** of the employment guidelines:

Luxembourg process: the four pillars of the European employment strategy

- **Employability**. Ensuring the jobless have the right skills and incentives to get back into work and promoting a labour market open to all. This pillar includes two key messages of the whole strategy, namely the **preventive approach** to combat long-term unemployment and activation: moving policies towards supporting active participation.
- **Entrepreneurship**. Making it easier to start and run a business, and to employ people in it. Guidelines under this pillar look to encourage greater entrepreneurial awareness, exploit new opportunities for job creation, and make the taxation system more job-friendly.
- **Adaptability**. Globalisation and rapid technological advances mean that employees and work organisation need to be flexible enough to respond to continuous structural change. Guidelines under this pillar promote the modernisation of work organisation and support adaptability in enterprises. They also emphasise the responsibility of the social partners in contributing to the strategy.
- **Equal opportunities**. Part of the reason the EU's employment rates are lower than those of the US is that far fewer women are in the labour market. This pillar aims to find ways of enabling both women and men to work with equal opportunity and equal responsibility. Guidelines advocate a gender mainstreaming approach, the tackling of the gender gap, and the reconciliation of work and family life. They also include measures to make it easier to get back into the labour market.

(1) *All documents to which reference is made here can be found on the website: http://europa.eu.int/comm/employment_social/empl&esf/ees_en.htm*

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- A 'management by objectives' approach — The annual review mechanism sustains multilateral surveillance and enables priorities to be continually reviewed. This is facilitated by setting targets — quantified, where possible. Examples include the proportion of unemployed due to receive a new job offer within 12 months (6 months for youths) by 2002, or the proportion of unemployed benefiting from 'active measures' such as training. The outcomes of policies are detailed through the annual national action plans and the Commission's annual employment report, which are open to public scrutiny.
- Convergence through 'open coordination' — The Luxembourg process does not set binding rules for Member States, which remain responsible for their employment policies. It does, though, promote convergence through commitment to agreed objectives and through the soft pressure of the annual review mechanism. Other institutions (the European Parliament, the Economic and Social Committee and the Committee of the Regions) have a say in the adoption of the guidelines, and others with legitimate interests (social partners, regional and local actors, civil society) are increasingly involved. This method establishes a balance between European Union level coordination in defining common objectives and outcomes, and Member States' responsibilities in deciding the detailed content of the action. It is a clear division of labour and a successful way of working by the subsidiarity principle.

Facts and figures (2)

- The employment situation in the EU has steadily improved over the last couple of years, reflecting the positive overall economic climate and progress in labour-market reform.
- Long-standing problems, such as high unemployment and low participation in employment, are being effectively addressed.
- **Unemployment** fell to an average of 9.2 % in 1999 and was down to 7.6 % for the EU-15 by May 2001. Youth unemployment, at 8.5 % of the 15–24 age group in 2000, is now at its lowest in a decade. However, while starting to decline after 1997, long-term unemployment remained a problem for 4.2 % of the labour force in 1999.
- Four million new jobs were created in the three years, 1997–2000, mainly in services. The employment rate in the EU increased to 63.3 % in 2000 from 61.3 % in 1998.
- **Women** were the main beneficiaries of employment growth. However, their employment rate of 52.5 % is still a stubborn 18.5 % lower than the figure for men.
- Labour-market participation of **older workers** over 55 years of age stands now at 37 %; a very low level in view of the increasing tightness of the labour market in some Member States.

With 4 million jobs created since 1997, the EU's employment rate rose to 63.3% in 2000, putting Europe on track to hit its 70% target by 2010.

Unemployment rate (%)

2000	1999	1998	1997	1996	1995	1994	1993	1992
8.2	9.1	9.9	10.6	10.8	10.7	11.1	10.7	9.2

Youth unemployment (%)

2000	1999	1998	1997	1996	1995	1994	1993	1992
16.3	17.9	19.6	21.1	21.9	21.5	22.0	21.3	18.1

Long-term unemployment (%)

2000	1999	1998	1997	1996	1995	1994	1993	1992
3.7	4.2	4.7	5.2	5.3	5.2	5.3	4.7	3.8

(2) Figures taken mainly from the 'Joint employment report, 2000' — two parts: http://europa.eu.int/comm/employment_social/empl&esf/empl2000/ijer2000_1_en.pdf and http://europa.eu.int/comm/employment_social/empl&esf/empl2000/ijer2000_2_en.pdf
The very latest figures are available in the 'Joint employment report, 2001'.

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2) From Lisbon to Stockholm

The 2000 mid-term review of the EES highlighted both its successes and some weaknesses. The Lisbon European Council in March 2000 hailed it as a model for decision-making in other policy areas such as social inclusion (see Section 8). However, it was felt the strategy needed to be directed towards the longer-term challenges such as labour shortages and skills gaps, identified by Lisbon.

- **Full employment.** Since employment participation is too low to guarantee the sustainability of social security systems and economic growth, employment rates should be increased, particularly by higher participation of women and older workers.

Employment rate targets

	Total	Men	Women	Older workers
1999	62 %	71 %	52 %	37 %
2005	67 %		57 %	
2010	70 %		60 %	50 %

Targets for 2005 and for older workers set at Stockholm; targets for 2010 and women set at Lisbon.

- **Skill shortages.** Increasingly, skills gaps and labour shortages are emerging in Member States' labour markets, and this calls for more coherent strategies on lifelong learning and underlines the need to increase labour mobility in Europe by developing new European labour markets (see Section 3).

- **Quality of work** is now rising up the agenda, in line with Lisbon's stated goal of generating 'more and better jobs'. New possibilities for higher-profile social partner involvement have been opened up with the introduction of a specific 'social partners' process' within the Luxembourg strategy.

3) The role of the European Social Fund (ESF)[3]

For over 40 years, the ESF has invested, in partnership with the Member States, in programmes to develop people's skills and their potential for work. Over that time, the Fund has evolved in response to changing needs. It is now the main EU financial tool through which the Union translates its strategic employment policy aims into action.

Article 6

(http://europa.eu.int/comm/employment_social/empl&esf/com894/com894_en.pdf)
Article 6 of the European Social Fund regulation allows the European Commission to promote and finance pilot projects to test out new ideas and approaches on specific aspects of employment policy. The idea is to develop innovative ideas and approaches that can influence and improve the operation of the mainstream ESF, the principal financial instrument to support the European Employment Strategy. In 2001 and 2002, the Commission is promoting Article 6 projects on the themes of 'Adaptation to the new economy within the framework of the social dialogue' and 'Local employment strategies and innovation'.
The second theme reflects the growing importance of territorial or local strategic approaches to employment as a way to bring the EES and the national action plans closer to local players. Indeed, the 2001 employment guidelines state that 'all actors at the regional and local levels, including the social partners, must be mobilised to implement the European employment strategy'. To this end, Member States should take into account, where appropriate, in their overall employment policy, the regional development dimension and encourage local and regional authorities to develop strategies for employment (Guideline 11).

(3) Further information on the ESF can be found on the Internet at: http://europa.eu.int/comm/employment_social/esf2000/index.htm

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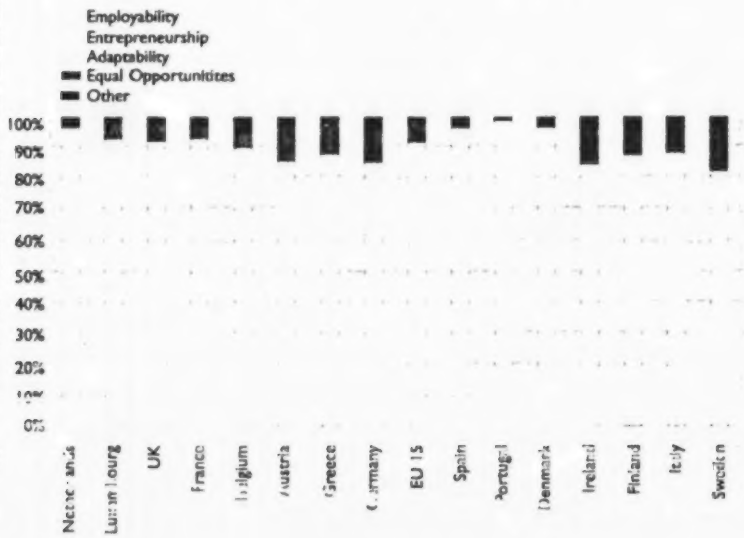
In the current round of Structural Fund programmes running until 2006, the ESF will devote EUR 60 billion of EU funds to support the EES. As much as 60 % of the funds will go towards promoting employability — including an investment of around EUR 11 billion for social inclusion. Support for entrepreneurship will account for over EUR 8 billion. A further EUR 11 billion will finance investments in the adaptability of the European labour force. The budget for specific operations to support gender equality will account for around EUR 4 billion. However, the clear commitment to gender mainstreaming across all areas of ESF programming will significantly enhance this level of support for equal opportunities.

Negotiations over current ESF programmes have shown Member States' commitment to allocate Community funding in line with employment policies established under the Luxembourg process, and the ESF is firmly geared to supporting the EES. It aims to improve the effectiveness and responsiveness of labour-market policies and puts a strong emphasis on facilitating job creation. The most clear-cut example of ESF support for the EES is the priority given to preventive action within ESF programmes.

Programmes agreed between the Commission and Member States are a good basis for developing a strong and clear link between the ESF and the EES. Over the years to come, it will be important to build on this good start to ensure that the ESF is equal to the challenges that lie ahead in supporting the European employment strategy and commitments made at the Lisbon European Council.

Planned ESF expenditure on Objectives 1 and 3 by pillar (2000 - 2006)



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The ESF in practice

Project title: **KIN Trade House**

Promoter: Public Employment Service in the region of Vejle (AF Vejle Region)
National partners: AF in Vejle Region, AMU Fyn
Partners: Italy: ISTUD; Netherlands: De Ondernemers Academie; Germany: BWA; Spain: FAMA; Greece: IEKEM-TEE
Beneficiaries: Female entrepreneurs
Description: KIN Trade House is a national centre for female entrepreneurs.

KIN Trade House opened its doors for the first time on 28 November 1998 and has been a huge success ever since. On a national scale, the number of women joining the network is increasing. Having started with an address list of 75 women, six months later the number has reached 300, with more joining every day.

KIN Trade House has many 'rooms':

- a shop where shoppers can see the exhibitions and purchase goods and services
- exhibitions for women who own a service sector business
- seminars
- short courses based on female entrepreneurs' needs, such as marketing, pricing, etc.
- national network holding 'Big thinking days'
- longer courses for women who plan to set up their own business and who wish to become self-employed

The house is a living organism, changing all the time. A great deal of the manager's work is to market the women's businesses, give advice and support product development and to encourage cooperation between the women. Each month, the house introduces a new theme for its exhibitions, such as 'Wonderful Denmark' and 'Europe'.

Main objectives:

- To make female entrepreneurs more visible and to publicise their work.
- To help new female entrepreneurs with qualitative product development through trading in a large market where they receive more impartial evaluation of their products.
- To help new female entrepreneurs deal with importing and exporting.
- To bring women wishing to start their own business into contact with already established female entrepreneurs — to meet role models.
- To help new and future female entrepreneurs with contacts across regional, national and transnational borders.
- To allow new and future female entrepreneurs to attend short courses focusing on their specific needs.

Main Results:

KIN Trade House has developed into a national centre where female entrepreneurs can meet on equal terms, find 'colleagues', network, exchange information, learn from each other and establish cooperation across businesses and industries.
On a transnational level, KIN Trade House has succeeded in creating a network, establishing international contacts and establishing direct contact between women. Also, KIN Trade House has become a model for similar projects in other countries such as Bulgaria, Norway, Romania, Russia and Sweden. The ultimate goal is to establish a network of similar trade houses throughout Europe.

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Project title: **Learning/working project 'Assistance in finding work, training colleges in Zeeuws Vlaanderen'**

Promoter:	Ministry of Education and Science
Partners:	Implemented by the Zeeland Social Pedagogical Service and two colleges in Zeeuws Vlaanderen: 'De Brug' training college in Hulst and 'De Sprong' in Terneuzen.
Beneficiaries:	The learning/working project 'Assistance in finding work, training colleges in Zeeuws Vlaanderen' is targeted at young people from special schools for those with learning disabilities. These young people are over the school-leaving age.
Description:	Training facilities are created at the college for participants to use under supervision, in conjunction with a placement in industry, thus increasing their chances of finding a permanent job.
Main objectives:	Forty participants were trained as part of the project. They have found a job and/or have continued with a follow-up project.
Main results:	More than 85 % of participants find regular employment.
EU funding:	EUR 145 646.61 (= NLG 343 000).
National funding:	EUR 180 625 (= NLG 425 000).

EUR 6 billion a year —
EUR 17 for every EU citizen — is spent through the ESF to support national employment policies.

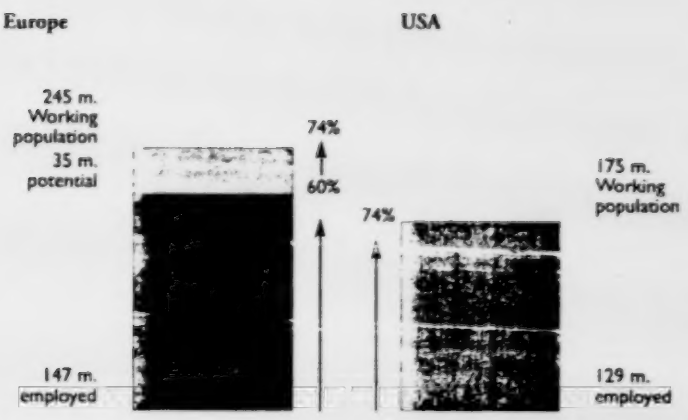
The interaction of economic, employment and social policy putting: Lisbon into practice

1) The general picture

The European Union possesses definite strengths to benefit from **new growth opportunities**, with its generally well-educated workforce and its social protection systems which offer the stable framework required for managing these structural changes. However, it appears that **Europe's strengths are not fully exploited** when comparing its job creation and growth record with the US. As many as 30 million jobs could be produced if all Member States were to replicate the US performance. An important explanatory factor is the delay in the transition to the knowledge society and the corresponding creation of jobs in the service sector (see Section 5). Some Member States have recognised earlier than others this strategic challenge, which is at the basis of the Lisbon strategy.

Labour and skills are key productive factors in the economy. So employment policies affect the interplay between overall economic development and job-market performance by correcting the deficiencies of the labour market on the supply and demand side. On the **supply side**, weaknesses are the low participation of older workers and women and high long-term and regional unemployment levels, against the background of increasing labour shortages in some regions and skills gaps in some sectors (see Section 4). On the **demand side**, high taxation on labour and the adverse effect of red tape on SME start-ups are obvious reasons why economic growth could have translated into lower than hoped for job creation (and, conversely, recessions into strong job destruction). The necessary reforms, which also involve the social partners (the agenda for adaptability under the employment guidelines) and take into consideration the gender dimension, are coordinated through the Luxembourg process in line with the EU's overall broad economic policy guidelines.

An example of good practice: Finland, after suffering a severe recession in the early 1990s, has improved job creation through a move towards high-technology sectors accompanied with active labour-market policy. As a result, employment rates have increased steadily from just 60% in the mid-1990s to 68% in 2000.



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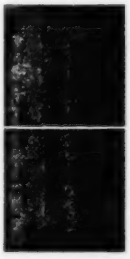
2) The new social policy agenda

A picture emerges of a necessary symbiosis between economic and employment policy. Together with a strong focus on high social standards and a strong safety net, they form the cornerstones of the policy admixture which will drive the European social model forward over the next few years. Sustainable economic growth with low inflation and sound public finances are vital for increasing employment and social cohesion. A high level of social protection and well-targeted social policy is essential for adapting the economy to change and providing an efficient and well-trained labour force. Accessible quality education strengthens social inclusion and competitiveness, and raising the employment rate will sustain the financing of social protection systems.

The dynamic interaction between these three policy areas — economic, employment and social is at the heart of the new social policy agenda. The agenda was adopted by the Nice Summit in December 2000, just nine months after EU leaders meeting in Lisbon set out their ambitious target to turn the EU within the next decade into: **'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'.**

The importance of this newly articulated challenge should not be underestimated. The agenda provides a clear route-map to take on the Lisbon challenge of making the Union the world's top economy within half a generation in terms of prosperity and well-being. In the past, social policy has enabled the EU to manage structural change whilst minimising adverse social effects. Now, modernising the European social model by investing in people and building an active welfare state will be crucial to maintaining traditional values of solidarity and justice while improving economic performance.



The agenda draws together existing initiatives and flags up new ones, which fall into one of three main groups.

- Some aim to realise Europe's full employment potential by creating more and better jobs, anticipating and managing change and adapting to the new working environment, exploiting the potential of the knowledge-based economy and promoting mobility.
- Others set out to modernise and improve social protection and to fight social exclusion, gender inequality and arbitrary discrimination.
- A third group is devoted to preparations for enlargement and making the social dialogue contribute to meeting the various challenges.

The sections ahead show how far along the road the Union has progressed.

The policy mixes to be established to create a virtuous circle of economic and social progress should reflect the interdependence of these policies and aim to maximise their mutual positive reinforcement.

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Improving labour-market access for disadvantaged sections of the community

As the previous sections show, central to the aims of the EES is a marked improvement in the EU's employment rate, which, although rising, still trails that of the US and the best performing Union Member States. The corollary of this, of course, is ensuring that as many citizens as possible are given the opportunity to use their skills productively for their own and the wider good. Labour-market integration of certain groups — **women, the long-term jobless, the elderly and the disadvantaged** — will obviously do much to make good the shortfall in the Union's employment rate but it will also go a long way to ensuring greater cohesiveness — the third element of the social policy agenda.

This is vital because the number of people in the Union threatened by poverty and exclusion is still too high.

In recognition of this, the year 2000's European Councils at Lisbon and Feira made social cohesion one of the cornerstones of the EU's new strategy for the next decade. What was needed, it was felt, was a coordinated drive towards three interdependent goals consistent with the European social model: stable quality-jobs (the EES), modernised economic structures and stronger social cohesion — this last being addressed by the social inclusion strategy (see Section 8(4)). Alongside both are the various sectoral policies aimed at specific target groups.

3

Percentage of persons living in jobless households

	1995	1997	2000
B	16.9	16.9	15.2
D	14.3	15.9	15.3
EL	11.2	10.8	10.7
E	16.3	15.1	11.3
F	11.4	12.0	11.2
IRL	16.1	15.0	:
I	12.2	12.4	11.3
L	10.3	10.2	9.7
NL	14.3	12.6	11.5
A	8.0	9.0	9.9
P	8.1	8.4	6.3
UK	17.7	16.8	15.4
EU-15	15.2	15.0	13.6

Source: Eurostat 'Labour Force Survey'; no data available for DK, FIN or SV.

Total long-term unemployed population

	1997	1998	1999	2000
B	5.4	5.7	5.2	3.7
DK	1.5	1.3	1.0	0.9
D	4.9	5.0	4.5	4.0
EL	5.3	5.9	6.5	6.2
E	10.8	9.4	7.3	5.9
FR	5.0	5.0	4.7	4.1
IRL	5.7	:	2.8	:
I	8.1	7.1	7.1	6.6
L	0.9	0.9	0.8	0.5
NL	2.5	2.2	1.4	0.7
A	1.5	1.6	1.5	1.3
P	3.5	2.1	1.9	1.6
FIN	4.4	3.6	2.6	2.7
S	3.5	3.3	2.2	1.7
UK	2.7	2.0	1.8	1.6
EU-15	5.2	:	4.3	:

Source: Joint Inclusion Report 2001 (adapted)

17

1) The 2001 European employment guidelines

One of the 2001 guidelines specifically deals with policies combating discrimination and promoting social inclusion by access to employment. Member States are asked to develop pathways of preventative and active policy measures to promote the labour-market integration of those at risk or with a disadvantage. It also aims to combat discrimination on grounds of sex, race, religion, belief, disability, age or sexual orientation, in access to the labour and education/training markets. Member States are also encouraged to implement measures to meet the needs of disabled, ethnic minority and migrant workers.

Similarly there is a specific guideline for developing active ageing policies. Attitudes towards older workers need to change if the target of full employment is to be met. It will also ensure the long-term fairness and sustainability of social security systems. Member States are therefore encouraged take steps to maintain the working capacity and skills of older workers by providing access to training and introducing more flexible working arrangements.

Three other guidelines set out to strengthen Member State policies for equal opportunities and reduce all gender gaps in the labour market. They also aim to ensure that all policies implemented through the EES fully reflect the principles of gender mainstreaming. Member States are encouraged to design, implement and promote family-friendly policies, including affordable childcare and also parental leave, on which there is already an EU directive.

2) EQUAL

EQUAL is a new Community initiative that forms part of the wider ESF. It provides scope to try out novel approaches to resolving labour-market problems, creating a better climate for new jobs, and to ensuring equality of opportunity for everyone, whether employed or looking for a job. It will test new ways of tackling discrimination (based in particular on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation) and inequality. EQUAL will dovetail with other weapons in the fight against discrimination and social exclusion which go beyond the labour-market area and, in particular, the specific legislation and action programmes under the various social provisions of the Treaty set out in Articles 13 and 137.

Almost one in every seven EU citizens lives in a jobless household.

The building blocks of EQUAL

- Partnership: to bring together key actors ([4]) in development partnerships (DPs) geographically or by sector to tackle discrimination and inequality.
- Thematic approach: to concentrate activities on thematic fields ([5]) in keeping with the European employment strategy.
- Innovation: to explore and test innovative approaches in the formulation, deliverance and implementation of employment and training policies.
- Empowerment: to strengthen capacity building by making all relevant actors, including beneficiaries, work together on an equal footing.
- Transnationality: to make it possible for individual DPs and national authorities to learn from each other and cooperate productively across borders.
- Mainstreaming: to develop and test new ways of integrating best practices into employment and social inclusion policies.

[4] The partners of the DPs can be for example local and regional authorities, training organisations, public employment services, non-governmental organisations, businesses and social partners.
[5] The nine EQUAL themes are: (1) (Re)integration into the labour market; (2) Fight against racism; (3) Business creation; (4) Social economy; (5) Lifelong learning; (6) Adaptability to change and new communication technologies; (7) Reconciliation of family and professional life; (8) Reduction of gender gaps and job desegregation; and (9) Social and professional integration of asylum seekers.

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3) Discrimination and access to employment

What this amounts to is recognition by the EU that participation in economic life is often a prerequisite for successful wider social integration. As a result, the Community has adopted two major directives which prohibit discrimination on the same grounds as those tackled under EQUAL (see Section 7).

Legislation to combat discrimination actually has three main benefits. First, it helps avoid social exclusion by ensuring that people can fulfil their economic potential, which is not only good for them and their dependants but also reduces their reliance on the State. Secondly, it ensures that business can draw on the best pool of labour, so making the firm — and the wider economy — stronger and more competitive. And it also puts the onus on employers to justify their decisions about matters such as recruitment, promotion, access to training and other working conditions.

Evidence from the Member States shows that unemployment among communities of different racial and ethnic origins varies by up to two to three times the average for the labour market as a whole. Similar effects are seen in relation to older workers and people with disabilities.

Discrimination — particularly when cumulative — can lead to a cycle of disadvantage which is frequently passed from one generation to the next. If educational facilities, housing, health services, environmental conditions and job opportunities for a particular group are all poor, the next generation will grow up less well-equipped to deal with the difficulties facing them and find themselves saddled with poor jobs, housing and health. The anti-discrimination legislation under Article 13 of the EC Treaty will help break this vicious circle (see Section 7(2)).

The directive on racial discrimination also covers other areas which affect access to employment. Discrimination in access to benefits and other forms of support from the social protection system compounds marginalisation. High-quality education is a pre-requisite for successful integration into employment and, more widely, society. Discrimination in access to goods and services also limits wider social and economic integration, especially in securing finance. Decisions on loans to small companies, for example, or on mortgages to individuals which are based on or influenced by the real or presumed racial or ethnic origin of the applicant are not only contrary to the basic principles of human rights but are in practice extremely damaging to the ability of large sections of society to provide for themselves and for others.

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4) Gender equality in employment

Equal opportunities for women and men in employment is not just a matter of social justice, it is an economic necessity. Equal pay, proper recognition of women's skills and abilities, and policies that enable employees to combine work and family life: all help draw more women onto the labour market and give the economy a productive boost. The increasing economic activity rate among women has been a significant factor in Europe's economic growth. For the EU as a whole, it is estimated that almost a fifth of the annual GDP growth of 2.3 % can be explained by women's increased labour-force participation.

Lisbon identified ambitious new targets, including a rise in the female employment rate in the EU from 53 % today to an unprecedented 60 % by 2010. This is essential if the EU is to raise its overall employment rate to 70 %. In absolute terms, it means drawing an additional 10 million women onto the labour market (see Section 7(1) for more details on gender equality).

10 million more women will need to join the labour force if the EU is to achieve its 70% employment rate.

Gender inequalities in employment

- The employment rate for women in the EU is still 18.2 percentage points below the male rate.
- Unemployment among women is on average 3 percentage points higher than among men.
- The gender pay gap disadvantages women – it is still 20% and nearly 25% in the private sector of some countries.
- The labour market is segregated by gender, with women concentrated in certain occupations and industries and men in others (*).
- Employed women earn less than men, accounting for 77 % of low-income employees.

(6) For statistics, see 'Joint employment report 2000', point 3.4.2.

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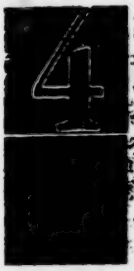
Mobility and new European labour markets

1) General

An accessible jobs market is a more dynamic one. But a healthy jobs market also has to be a responsive one, in which workers can move to take up new job opportunities where and when they arise. Mobility of EU nationals across Member State borders is currently low, at about 1.5 million people — less than 0.4 %. US data are not directly comparable, but mobility is generally recognised to be higher across the Atlantic. This means that Europe's jobs pool is not being fully tapped at a time when some studies estimate an IT skills gap of close to 1 million.

The nature of mobility in the EU has changed over the last few years. It generally takes place between urban centres, influenced by the geographical clustering of different industries. Mobility is particularly notable in expanding, hi-tech sectors. Mobile workers are young — mostly under 30, with the highest concentration in the 21–25 age group — and are generally highly skilled. There is an increasing tendency towards three types of migration: temporary migration — moving to another Member State for a few years and then moving on or back; cross-border commuting in frontier zones — this is increasing (about 600 000 European citizens a year); and increasing mobility resulting from pan-European management of human resources by multinational enterprises.



With these changing patterns of mobility, the demands of more global businesses and recognisable shortages of certain skills, new forms of European labour markets are emerging, but they still face serious barriers. A two-stage strategy is being developed to remove such barriers by 2005 (7). If mobility is to become a real opportunity for everyone, citizens should be entitled to use their skills wherever they are needed, and companies should find it simpler to recruit from the wider European labour pool. The first stage in the strategy to build the new European labour markets therefore focuses on tackling the skills gaps, removing barriers to mobility and improving information. Building on the Lisbon conclusions, the Commission will prepare an action plan to ensure that lifelong learning becomes a reality for all citizens and that workers can fully benefit from it as part of the EES. It will also present proposals for a more-transparent and flexible regime for professional recognition and facilitate the recognition of skills acquired at work. Similarly, enabling service providers to develop a foothold in other markets, eliminating obstacles to the portability of supplementary pensions and adopting the recommendations on mobility would all greatly facilitate matters. The Commission will be pursuing efforts in all these directions.

The strategy also means citizens need access to full and reliable information on job vacancies, mobility and learning opportunities throughout Europe. This will require a comprehensive information campaign, in cooperation with the social partners and Member States, making full use of existing instruments such as the Eures (European employment services) network.

As the second stage in this strategy, the Commission has established a high-level task force on skills and mobility, whose job is to:

- identify the main motors and characteristics of the new European labour markets;
- pinpoint the main barriers to further development of them, review and exploit any good practice experienced elsewhere, most notably in the US, and see what needs to be done to create an attractive labour marketplace for the knowledge economy in Europe.

(7) For further information see the web sites: http://europa.eu.int/comm/employment_social/empl&esf/news_en.htm and http://europa.eu.int/comm/dgs/employment_social/key_en.htm

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The task force draws on expertise from European business leaders, top labour-market and education experts, and the social partners. It is due to report back to the Commission by December 2001. The Commission will then put forward an action plan to the Council in spring 2002, proposing a set of further policy initiatives and recommendations to ensure that by 2005, the new European labour markets are open to all, with access for all.

2) Transferability of pensions

The Stockholm conclusions stressed the importance of the Commission's work on new proposals on the portability of occupational pensions, designed to supplement Directive 98/49/EEC on improving mobility. A new proposal will be presented by the end of 2001. In 2002 the Commission will present a communication on improving free movement of workers in the public sector. Proposals to modernise the legal framework for free movement were presented by the Commission to the Council in 1998 and Stockholm invited the Council to examine the Commission's proposal on simplifying the coordination of social security for migrant workers in order to help ensure their social protection.

EURES

EUropean Employment Services

Jobs in the information society

1) Introduction

Over the last five years, job growth in key information society sectors, particularly in knowledge-intensive services, has been about twice the European average (Chart 1). The spillover of employment opportunities due to ICT is spread over the economy, across a range of sectors, occupations and skill levels. A recent survey indicates that almost half of European workers (45 %) and about three quarters of white-collar workers are currently using a computer for their work (Chart 2). Over the next few years, digital skills will be a must in ensuring employability and adaptability.

However, the increasing skills gap is a barrier to seizing this potential, both amongst experts and users. According to a recent industry study, the current shortage of 1.2 million ICT experts is expected to grow to 1.7 million by 2003 unless urgent action is taken. If e-business experts are added, this gap may even amount to 3.7 million. In fact, the strongest increase is expected in e-business and related technologies (Chart 3). As for basic skills, training efforts are still disappointingly low, despite the high level of usage of computers for work. In fact, only about 16 % of workers have received ICT training paid by their employers (Chart 4).

This employment challenge is at the core of the European Union's policy response to the knowledge-based economy launched at the Lisbon Summit. It largely builds on recommendations set out in a communication entitled 'Strategies for jobs in the information society' issued by the Commission in 2000. Since then, adapting to the information society has been reinforced as a major objective throughout the guidelines of the European employment strategy. Jobs and digital skills are also a high priority in the e-Europe action plan, the EU's road map to an 'information society for all' by 2002.

2) The key issues

- The top concern is the young. EU leaders have committed themselves to provide all schools with access to Internet and multimedia resources by the end of 2001, and to train all teachers in their use by 2002. The Commission is supporting national efforts by an 'e-Learning' initiative, which focuses on ICT equipment in schools, the integration of new technologies into all levels of education, improving multimedia services, content and knowledge networks.

- To close the dramatic skills gap at expert level, there is a need to significantly increase ICT training places and courses by 2002. Curricula should match industry requirements and the potential of conversion courses needs to be better exploited. Promoting the attractiveness of ICT professions for women is likewise essential, as they are still strongly under-represented in these jobs. All of these tasks will be facilitated by the work of the high-level task force outlined in the previous section.

- However, the challenge is wider: as digital literacy is essential for the employability and adaptability of the entire workforce, it must be a primary objective of lifelong learning. The 2001 employment guidelines call on social partners to do what is needed to give every worker the chance to achieve information society literacy by 2003. A European diploma in basic digital skills should stimulate uptake of certified training and its recognition across Europe. To meet this objective, most Member States are promoting the European computer driving licence (ECDL).

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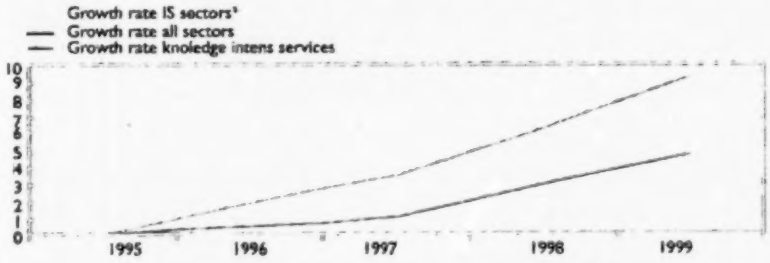
- Productivity gains in the knowledge-based economy largely depend on shifting work organisation to the higher level of skills and to the greater flexibility afforded by new technologies. To seize this potential, appropriate overarching conditions are needed. Increasing the opportunities for telework is a particularly promising avenue (Chart 5, see also Section 6) and, because of this, the Commission has started consulting social partners with a view to establishing a framework on telework at European level.

- Fully seizing digital opportunities also means preventing a digital divide. At present, there is still a multiple access gap — across Member States, and across gender, age, income, employment and educational levels (Chart 6). As a result, disadvantaged groups are being encouraged to take advantage of the information society in a way that meets their specific needs (e.g. by raising awareness, providing training, public Internet access and targeted online services). Preventing a digital divide is now a major objective of the EU's new social inclusion strategy (see Section 8).

Chart 1

Job growth in the Knowledge economy (cumulative growth rate)



* IS sector includes manufacturing high-tech sectors, knoledge intensive services (eg. communication services, software, business services, financing, community, social and personal services)

Source: European Commission, based on Eurostat figure

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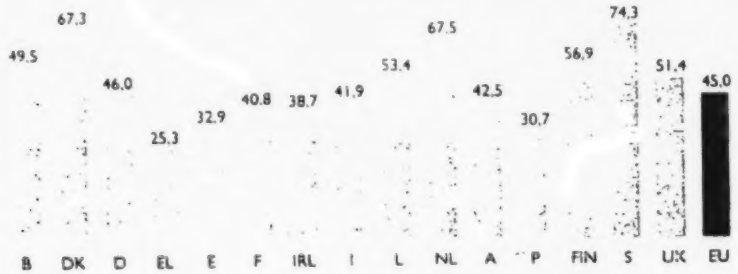
Chart 2 a

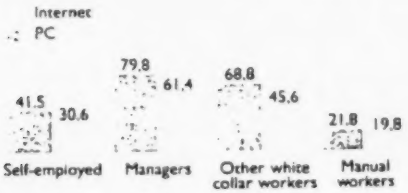
Use of computer for work (% of working population/Member state)



Source: Eurobarometer, Nov. 2000

Chart 2 b

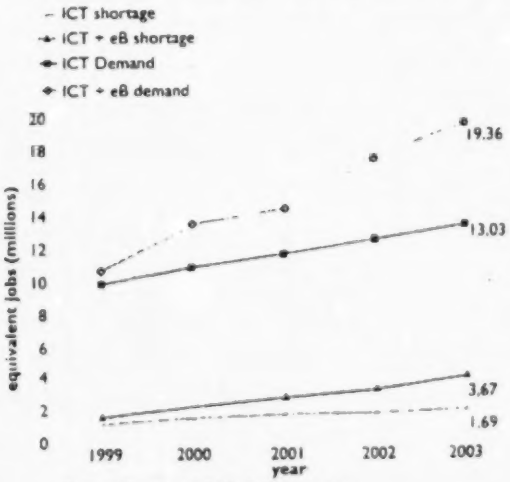
Use of PC and Internet penetration by occupation (%)



Source: Eurobarometer, Nov. 2000

Chart 3

ICT and eBusiness experts in western Europe: demand and shortage



Source European Info Tech Observatory

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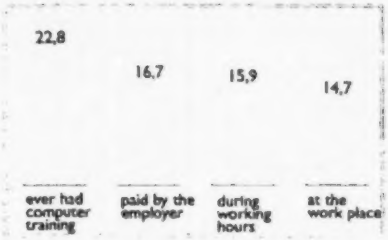
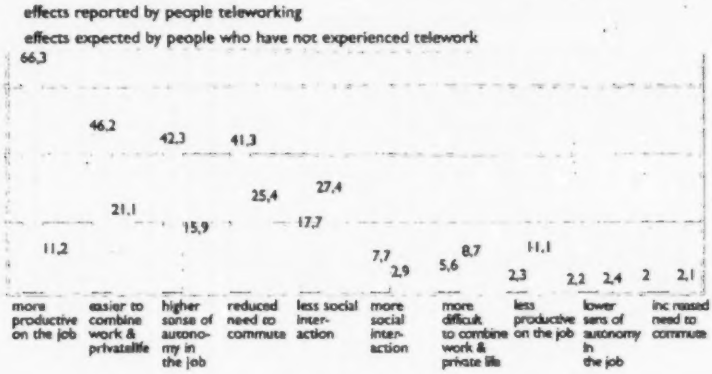
Chart° 4 **Computer training** (% of European working population)

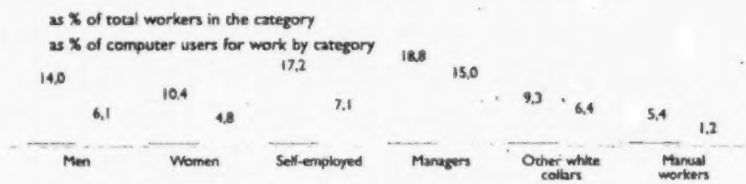


Source Eurobarometer, Nov 2000

Chart° 5 a **Effects of telework on personal life: experiences and expectations**

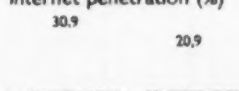


Chart° 5 b **Teleworkers by gender and category of occupation** (EU average)



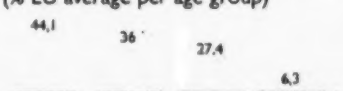
Source Eurobarometer, Nov 2000

Chart° 6 **Gender Gap** internet penetration (%)



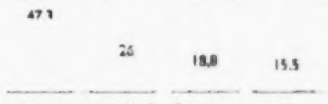
Source Eurobarometer, Nov 2000

Income Gap internet penetration (% EU average per age group)



Source Eurobarometer, Nov 2000

Income Gap internet penetration (% EU average per income group)



Source Eurobarometer, Nov 2000

Ensuring the fullest possible IT literacy will make good Europe's existing skills gap and avoid the ills of a digital divide.

Moving forward on social dialogue and working arrangements

1) The modernisation of labour relations

The social partners have a vital role to play in achieving a more transparent and flexible labour market, new forms of work organisation and a fair balance between flexibility and security. They are also crucial in helping to close the gender gap in salaries and better reconciling the private and professional lives of men and women. In view of this and the European framework agreements on part-time working and fixed-length contracts signed in 1997 and 1999, the social partners decided in June 2000 to begin negotiations on temporary work.

They also voiced great interest in making headway on telework, which in its various forms now covers over 10 million workers in the EU. In a joint declaration of 15 June 2000, they expressed a desire to delineate better the concept of telework, draw up a list of issues surrounding it and assess their cross-border aspects.

Also in June, the Commission launched the first phase of consultation on the possible thrust of a Community initiative to modernise and improve labour relations, including telework. A second phase, focusing mainly on telework, was launched in March 2001 and a list of general overarching principles for the sector was submitted to the social partners. UNICE, the European employers' confederation, responded on 9 April with a proposal to open negotiations on a non-binding agreement. Current discussions with the Economic and Social Committee centre on defining a voluntary agreement and how to implement it.

Another Lisbon challenge taken up by the social partners concerns lifelong learning and training strategies to help as many people as possible make the transition to the new knowledge economy (see Section 5). An interim report was sent to the Stockholm European Council, with a clear signal of their joint commitment and specific responsibility. A work programme has been put in hand to identify and anticipate skill requirements and analyse new ways forward for training, recognition, approval and the resources needed for lifelong learning. The aim is to forward a framework agreement to the Laeken European Council in the latter part of in 2001, which, together with the adoption of the employment package and a communication adopted by the Commission in June 2001 on the quality of work, would give out a strong political message.

2) Sectoral social dialogue

Sectoral social dialogue has made great strides since the 1998 Commission decision to restructure it. Dialogue committees have been established in 26 sectors and 10 others now run joint activities. In addition, the signing of a variety of important agreements mark a strong contribution to modernising and improving labour relations. Two agreements on telework were signed, the first in the telecoms sector in February 2001 and the second in commerce, which employs 23 million people in the EU, a couple of months later on 26 April.

In civil aviation and maritime transport, the social partners concluded framework agreements on working time and on health and safety in the workplace. These agreements were brought into force by Council directives rounding off the 1993 directive on certain aspects of work organisation. A similar agreement was also signed in the rail sector. The road transport sector, meanwhile, has been keeping a very close eye on work in the Commission and Council on working time and rest time. The Commission's proposal for a directive on this matter was based on points of agreement between the social partners. And in the private security sector, a joint declaration was adopted on establishing a European frame of reference for work modernisation and organisation.

Similarly, the sectoral dimension in health and safety at work is evolving fast. This has led to the adoption of joint manuals, training material and common positions on draft directives, etc., in farming, construction, gas, cleaning, private security, sugar and telecoms, among others. The leather-tanning sector has adopted a code of conduct, part of which establishes the principle of a safe and healthy working environment and the adoption of best professional practice.

Training, lifelong learning, innovation and the anticipation of change are also high on the agenda, as is the promotion of fundamental rights and corporate social responsibility. The whole of the fashion sector, commerce and personal services have, for example, signed agreements on codes of conduct. Private security has concluded a joint declaration on the mutual recognition of union organisations and employers. Sectoral social dialogue is also helping in the fight against job discrimination and in promoting equal opportunities. Postal services and textiles and clothing have developed manuals of good practice while commerce has adopted a joint declaration on the fight against racism and xenophobia.

26 professional sectors now have social dialogue committees.

3) Commission cooperation with the ILO

On the wider global stage, the promotion of core labour standards across the world is one of the Commission's international priorities. Cooperation with, and support for, the work of the ILO is an essential element of this. A new exchange of letters between the ILO and Commission, signed in May 2001, underlined the commitment of both to work together on promoting labour standards and on a range of other areas. In July 2001 the Commission issued a wide-ranging communication proposing different ways of promoting core labour standards and social governance in a globalizing world. Moreover, given that ratification of all ILO fundamental conventions by the EU Member States is a natural concomitant of the Union's support for core labour standards, the Commission issued a recommendation in September 2000 to Member States on the ratification of the latest ILO fundamental convention, No 182, on the worst forms of child labour.

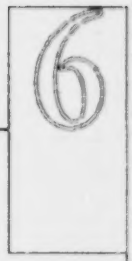
4) Information, consultation and involvement of workers

Effective management of industrial change also means improving the Community framework of rules on workers' rights to be informed and consulted; something the social policy agenda explicitly calls for. This area is the focus of a number of existing laws and current proposals at Community level, with provisions for the information and consultation of workers included in the directives on collective redundancies and on the transfer of undertakings.

Similarly, the European works council directive addresses the need for information and consultation in a transnational framework. It requires Community-scale undertakings and groups of undertakings (with a total of at least 1 000 employees across the Member States and at least 150 in each of at least two) to offer them the possibility of transnational information and consultation. On the basis of the experience with agreements on European works councils in more than 650 enterprises, a review of this directive will be carried out in the near future.

After almost 30 years, the recent political agreement in the Council of 20 December 2000 is a significant step towards the further development of workers' rights in this field. Formal adoption of the regulation establishing a European company and the annexed directive on workers' involvement is expected soon.

In November 1998, the Commission adopted a proposal for a directive with a view to establishing a general framework for employee information and consultation in the European Community. The proposal intends to fill the gaps and counter the shortcomings of existing legislation. It lays down general principles on information and consultation with regard to economic and strategic matters, employment trends and specific decisions concerning work organisation and contractual relations. It will apply for companies with at least 50 workers. With a common position now agreed on, there is the prospect of quick adoption of the directive, which will be a major breakthrough, especially for managing change within businesses.



5) Corporate restructuring and social responsibility

Recent high-profile announcements of large-scale redundancies have put the spotlight on the way firms interact with their employees. The year 2000 saw a high incidence of restructuring, with more mergers and acquisitions than ever before. Studies show, however, that few restructuring operations achieve their goal of reducing costs, increasing productivity and improving quality and customer service as they are often carried out in a way which damages the morale, loyalty, creativity and productivity of employees. As a result of the increasing incidence of restructuring and its potential impact on the lives of ordinary Europeans, the Commission gave details of a package of Community initiatives in May 2001 to help companies and workers adapt to business change. The package, which focuses especially on advance preparation and management of corporate restructuring operations, includes Community legislation, action by social partners, promotion of best practice by companies and may also involve redirecting European Social Fund money towards regions or sectors hardest hit by job losses.

The comprehensive package on corporate restructuring includes a proposal for effective legal guarantees of advance information and consultation, a stimulus to businesses to plan company restructuring early and effectively and a first discussion on how to focus other Community policies, such as competition, State aid and structural funds, on the new needs of companies and workers in a rapidly-changing business environment.

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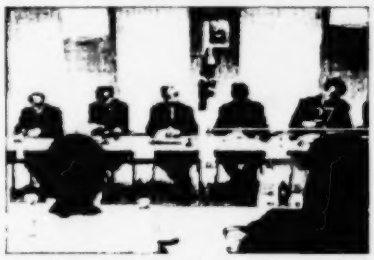
In order to raise awareness of existing Community legal obligations and good practice in restructuring operations, a checklist has been drawn up, which summarises companies' obligations under Community law in this respect as well as good company practice in corporate restructuring. The Commission will also examine the interaction that Community competition law on mergers and acquisitions has with the other social consequences of such operations.

The Commission's Green Paper on corporate social responsibility (CSR), issued in July 2001, addresses restructuring in the broader context of the strategy, endorsed a month earlier in Gothenburg, for sustainable development. Pointing to the correlation between profitability and good industrial relations, the paper is keen to highlight what is known as the triple-bottom line: the interlinkage between sound social, environmental and economic standards. As functional pillars of their local, national and global communities, firms have a responsibility to act towards their employees and their environment in a sustainable way. Doing so, the paper argues, may result in benefits for company performance. Conversely, those firms which fire without consultation or retraining or have a poor environmental record may see their performance adversely affected. The Green Paper was designed as a trigger for debate and anyone from the world of business and beyond was invited to send in comments on it by the end of 2001.

6) Anticipating change

In light of the speed and force of industrial change, the European Council meeting in Stockholm approved the setting up — as early as possible — of a monitoring centre. The task of doing this has been given to the European Foundation for the Improvement of Living and Working Conditions in Dublin. The centre will aim to provide key players with reliable information and objectives relating to:

- restructuring,
- the organisation of work and the workforce,
- mergers and acquisitions,
- the development of skills, and
- adapting to technological advances.



In May 2001, the Commission announced a package to reduce the impact of major job cuts on workers and their communities.

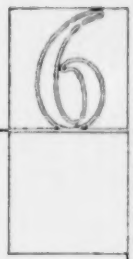
7) Working time

An adequate framework for the organisation of working time is crucial in fostering a renewed balance between flexibility and security in the working conditions of the new economy. The 1993 working-time directive provides such a framework at Community level. This directive is of **paramount** importance in European social policy and in labour law. However, it excluded a certain number of sectors and activities, such as air, rail, road, sea, inland waterway and lake transport, sea fishing, other work at sea and the activities of doctors in training.

To cover the excluded sectors and activities, the Commission proposed a new amending directive, which was adopted by the European Parliament and the Council on 22 June 2000, covering some 5 million people. Non-mobile workers are now fully covered by the working-time directive. For mobile workers and workers carrying out offshore work, only certain core provisions of the directive apply: these workers are entitled to adequate rest, a maximum working week of 48 hours, four weeks' annual leave and the protection of the various provisions on night work, except for the eight-hour limit.

In civil aviation, the social partners reached an agreement on working time on 22 March 2000. The Commission adopted a proposal for a directive implementing this agreement on 23 June, which the Council adopted on 27 November 2000.

The social policy agenda also announces the Commission's intention to complete and codify Community legislation on working time. This will involve proposing a directive containing the new amended text of the working-time directive.



8) Modernising work organisation

Modernising work organisation and employment relations has been the focus of a number of Commission initiatives, especially the Green Paper entitled 'Partnership for a new organisation of work' and the communication 'Modernising the organisation of work — A positive approach to change'. It is also a key element of the employment guidelines on adaptability (see Section 1) and of the transition to a knowledge-based economy (Section 5). The social agenda adopted at Nice stresses the importance of adapting working conditions and relations to foster a balance between flexibility and security.

Following up on the Green Paper and the communication, the Commission launched a consultation of the social partners on 'modernising and improving employment relations' in June 2000. The consultation addressed four issues: (i) developing general principles, (ii) establishing a review mechanism of relevant rules, (iii) telework, and (iv) economically dependent workers.

Taking into account the responses of the social partners, the second stage of this consultation, launched in March, focuses on telework. The aim is to establish general framework provisions at Community level on telework so that it expands in a way beneficial to both business and workers. In the meantime, UNICE and the ETUC have declared their intention to enter into voluntary negotiations on the issue.

GENERAL PRINCIPLES ON TELEWORK

Areas covered in the second stage consultation of the social partners on modernising and improving employment relations'

Voluntary nature of telework and the right to return
Guarantee of the status as employee
Guarantee of equal treatment
Information to be provided to teleworkers
Coverage of costs
Guarantee of specific training
Protection in the area of health and safety
Working time
Protection of privacy and of personal data
Contact with the firm
Collective rights
Access to telework

9) Further initiatives

Financial participation

In the social policy agenda of 2000, the Commission announced its intention to publish a communication and an action plan on workers' financial participation by the end of 2001. Ahead of this, it issued a working paper in July 2001, inviting Member States, Community institutions, firms and relevant associations to provide feedback and ideas on the issue.

An increasingly common sight? Almost 20% of managers, 10% of other white collar workers and over 5% of manual workers are engaged in some form of telework.

Data protection

The question of data protection in employment first arose in 1997, when the Commission undertook to adopt a communication. Since then, experts from the Member States have also been invited to several meetings on this subject and the Commission has made a survey of Member States' legislation. In its social policy agenda, the Commission undertakes to consult the social partners on data protection in the context of employment and the possibilities for future Community action.

A first stage consultation with the social partners is planned for the near future.

Conciliation, mediation and arbitration

The social policy agenda calls for the creation of tools to prevent and mediate conflict. The Commission indicated its intention to consult the social partners on the need to establish voluntary mechanisms at EU level on conciliation, mediation and arbitration.

The background and preparatory work on this new initiative is well under way with work at expert level and initial contacts with the social partners already undertaken.

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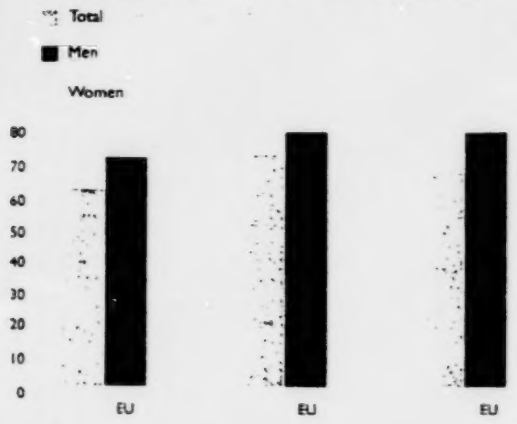
A productive and inclusive society

1) Equality between women and men

The 1999 Amsterdam Treaty reinforced the commitment to promote gender equality. The Community strategy of mainstreaming a gender perspective into all EU policies and programmes together with specific measures to benefit women has been sustained, with headway made in crucial areas such as employment, research, education, human rights, development cooperation, the fight against violence, and EU enlargement (see below). The adoption of the new Structural Funds regulations (2000–06) with specific provisions for gender equality was a significant advance. The new regulations propose an integrated equality strategy. The implementation of this by the Member States who are in charge of managing the Structural Funds will be closely monitored by the Commission.

Nevertheless, despite the progress already achieved, there is still a long way to go in eradicating the inequalities and injustices that women face as part as their everyday lives. The female employment rate is still 18 percentage points below that of males. In response, Lisbon set ambitious new targets for women: most importantly, to increase the female employment rate from today's 53 % to 60 % by 2010.

Employment rates in the EU , US and Japan in 2000
(percentage of the 15-64 working-age population)



The Stockholm European Council agreed to set intermediate targets for employment rates as a whole at 57 % for women by January 2005. The employment strategy should play an important part in achieving that target. Under the gender-equality pillar, there was an encouraging amount of activity aimed at helping working people to reconcile work with family life. More efforts are needed in order to introduce working practices that make it easier for women and men to balance work and home life. Through the European employment guidelines, the Commission is encouraging the social partners to develop more flexible working arrangements, and to make full use of the possibilities provided by new technologies.

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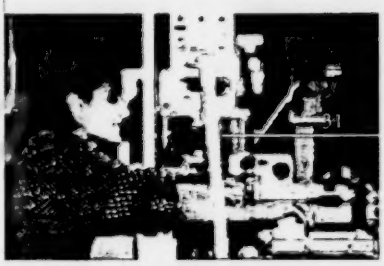
Stockholm also invited the Council and the Commission to develop indicators on the provision of care facilities for children and other dependants and on family benefit systems by 2002.

The pay gap between women and men remains at more than 20 %. As underlined at a meeting of gender equality and social security ministers last January in Norrköping, efforts to increase and improve women's participation in the labour market and ensure equal pay are important for the future sustainability and equity of social protection systems. Wage inequalities are often reproduced in social security. Women currently account for 77 % of low-paid workers..



Women's pay still trails men's by over 20%. To combat this and other gender inequalities, the Commission has in place a framework strategy with a EUR 50 million funding programme (2001 to 2005).

The Commission is therefore acting to promote equal pay in a number of ways:

- firstly, through the European employment strategy;
- secondly, through the new gender equality Programme (see below);
- lastly, in 2001, the Commission intends to launch a European campaign also funded by the programme — to highlight the issue of equal pay.

There is also still a significant under-representation of women in business and in political decision-making posts. More needs to be done if policy-making and decisions are to reflect the social, economic and cultural values of society as a whole. The Commission has expressed its firm intention to be pro-active in this area. In June 2000 it therefore adopted a decision stipulating that neither gender should account for less than 40 % of the make-up of its committees and experts groups. The Commission has called on Member States, the social partners and other bodies responsible for nominating members, to make sure they put forward an appropriate gender balance. However, there is not enough data to get the complete picture and the Commission wants to cooperate with the social partners and NGOs in establishing and maintaining a full set of statistics on women in decision-making. Good information provides a solid foundation for good policy.

There is likewise a need to ensure that, in economic life as in politics, women's abilities and potential are fully recognised, utilised and rewarded. Long-term commitment, political will and a good mix of policies appear to be more important than any single tool. The Community framework strategy on gender equality (2001–05), adopted in June 2000, embraces all relevant Community policies and tools, including mainstreaming policies and specific activities targeted at women. The framework strategy unites and coordinates the different initiatives and programmes across the Commission under a single umbrella, around clear assessment criteria,

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gender proofing and evaluation, monitoring tools and benchmarking. This new approach raises the profile of the range of existing Community gender equality activities, and ensures they hang together by identifying overlaps, so optimising efficiency and visibility inside and outside the Commission. The strategy is underpinned by an annual work programme, the aim of which is to identify and bring together the priority activities that each service develops every year.

The framework strategy is accompanied by a new gender-equality programme adopted by a Council decision of 20 December 2000 and given a budget of EUR 50 million for the next five years. Its job is to coordinate, support and finance horizontal activities within the strategy's remit:

- economic life
- equal participation and representation
- social rights
- gender roles and stereotypes.

It will co-finance awareness-raising activities, analysis and evaluation, transnational cooperation activities and exchanges of good practice.

Gender-equality legislation

The Treaty of Amsterdam and the continuing development of European jurisprudence have equipped the EU with a wide-ranging legal framework in the field of equality.

The Court of Justice has issued a number of judgments which affect relevant legislative work. The legal edifice which guarantees equality of access to employment to women and men is on the way to completion even if there is still some way to go. The promotion of equal opportunities has to be taken on board by all institutions, at all levels.

The Commission has proposed a new amending directive on treating men and women equally in access to employment, vocational training and promotion, and working conditions by including new provisions on issues such as sexual harassment in the workplace, and by better articulating some of the existing provisions. The directive is expected to be adopted by the end of 2001.

The Commission has also announced its intention to propose a new gender-equality directive in 2002, based on Article 13 of the Treaty. The scope of this directive would extend beyond issues relating purely to the labour market.

2) Anti-discrimination policy

Amsterdam also took a number of highly significant steps in reinforcing the Union's commitment to supporting and protecting the fundamental rights of its citizens. The Treaty which emerged from the summit provided new powers to suspend the rights of a Member State which was found to be in breach of the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law. And, for the first time, the Treaty enabled the Community to combat discrimination on a wider range of grounds than before — racial and ethnic origin, religion and belief, disability, age and sexual orientation — and in areas outside of employment.

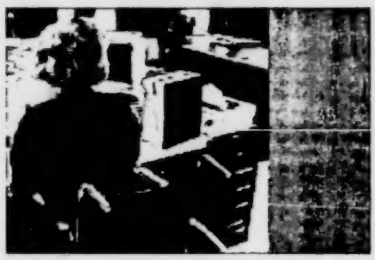
The Commission undertook a wide consultation with Member States, civil society, the social partners and the European Parliament on how to implement these new powers. In November 1999, within six months of the new Treaty coming into force, the Commission produced a package of proposals — two directives and an action programme — to give shape to the Community's efforts to combat discrimination and promote equality. The proposals were ambitious and demanding but were nevertheless widely supported and quickly pushed forward in discussions in the

Council and the EP, with the result that all three elements were adopted by unanimity in record time. The Community acquis now includes a directive prohibiting racial and ethnic discrimination in employment, education, social security and healthcare, access to goods and services and housing ([8]). A second directive prohibits discrimination in employment on grounds of religion and belief, disability, age and sexual orientation ([9]) and a EUR 100 million Community action programme promotes the study of discrimination and exchanges of experience and good practice between the Member States ([10]).

The two directives lay down standards which will provide a common level of protection against discrimination across the Union and which will require changes to the existing legislative framework in all Member States. The Member States have until 2003 to transpose the two directives into national law and they are free to provide higher levels of protection than required by Community law. The Community will support the process of transposition by promoting exchanges of experience between governments, NGOs and other actors in the different Member States to encourage the highest level of protection possible in each country. At the same time, recognising that legislation alone will never be able to ensure equality in practice, the action programme will allow the Community to explore practical ways of overcoming the barriers created by discrimination in many areas of everyday life, bringing European added value by comparing and contrasting experiences in different parts of the Union.

In implementing the principle of equal treatment, the Community should, in accordance with Article 3(2) of the EC Treaty, aim to eliminate inequalities, and to promote equality between men and women, especially since women are often the victims of multiple discrimination.

This package of measures forms part of an integrated strategy, involving elements such as the EES and social inclusion strategies, to promote better quality of life for European citizens. By helping to eliminate discrimination and promote equal opportunities, the Union contributes actively to the protection of fundamental rights and freedoms and to reducing the human and financial costs of exclusion.



May 2001 saw the Commission adopt a proposal to make 2003 'European Year of Disabled People'.

3) Disability issues

Over the past five or six years European disability policy has shifted away from the notion of 'accommodating' people with disabilities, to a more 'rights based' approach. Now the emphasis is on removing hurdles to their full integration. This was the focus of the Commission's communication 'Towards a barrier-free Europe', published in 2000 — how best to ensure access and inclusion across a broad range of EU policy areas from anti-discrimination to employment, transportation and information and technology.

Employment

Integrating people with disabilities makes not just social sense but economic sense. There are currently 37 million disabled people in Europe. Research shows that they are far more likely to be jobless — and for longer periods — and to bring home a wage packet below the average. Their marginalisation in the jobs market means huge financial costs for governments and society although it is known that many disabled people want to work, given the opportunity and appropriate support. This is why disability is one of the explicit categories covered by the directive on equal treatment in employment and in the anti-discrimination action programme.

Support for people with disabilities has also been mainstreamed into the European Union's other employment policies. The Member States' annual national action plans put forward suitable measures — training, counselling or placements — to support people with disabilities in the jobs market. In the year 2001, they started setting specific national targets for the disabled.

(8) Council Directive 2000/43/EC.
(9) Council Directive 2000/78/EC.
(10) Council Decision 2000/750/EC.

This process of coordinating, benchmarking and monitoring policies has proved so successful in employment that it has now been extended to social inclusion policies, which will, of course, directly benefit people with disabilities.

To turn these goals into reality the EU gives financial support through the European Social Fund, especially the 'EQUAL' initiative (q.v.). As a result, the EU is better armed and more committed than ever before to integrating people with disabilities. In addition, the Commission announced in 2001 that 2003 is to be the European Year of People with Disabilities. With a EUR 12 million budget, the Commission will be doing its bit to raise further the profile of disability issues.

But rules and guidelines, programmes and strategies can only be successful if we mobilise all actors at all levels — European, national and especially local. Disabled people must be involved across the board: from formulation to implementation, creating as well as benefiting from policies. Only in this way can we move towards the goal of achieving a barrier-free, inclusive society in Europe for all its citizens.

4) Health and safety at work

There are more than 30 health and safety directives which Member States are required to incorporate into national statute books. Since the mid-1990s legislative work has been under way to consolidate some existing directives and to streamline the overall approach to health and safety at work. This includes work to codify the directive on the protection of workers against risks from biological agents in the workplace and the new directive on chemical agents in the workplace, which repealed certain directives such as that of 1980 on physical, chemical and biological agents, which preceded the 1989 framework directive ([11]). In addition, political agreement has now been reached on two proposed directives — on scaffolding and vibrations — which aim to establish minimum rules for some aspects not covered by existing law. Ever mindful of the need to keep up with changing workplace risks, the Commission also presented two other proposals — on asbestos and noise.

The purpose of the scaffolding directive (amending Directive 89/655/EEC on minimum safety and health requirements for the use of work equipment by workers at work) is to drastically cut the number of falls from a height, which are one the most common causes of serious accidents at work. A breakdown by economic sector of the available statistics on this kind of accident shows that the phenomenon is not confined to the building industry. For the latter, the problem is partially addressed in a Council directive ([12]), which says that certain minimum requirements concerning on-site outdoor workstations will be laid down at a later stage. The directive lays down a number of key precautions, which must be observed and it also contains 'rules for use', in the strict sense of the term, for ladders and scaffolding. On 14 June 2001 the European Parliament adopted the common position of the Council.

The proposal on vibrations was included as a part of the previous physical agents including noise, electromagnetic fields and optical radiation. Risks associated with vibrations (risks to the hand, arm and whole body, to health from induced currents in the body, shock and burn hazards) showed that there is sufficient scientific evidence to warrant Community action in this field. The Council adopted a common position on vibrations in June 2001.

The dangers of asbestos are well known and the substance is covered by a twice-amended directive protecting workers from exposure to it. Nevertheless, it is still present in various forms in a large variety of working environments. The Commission initiative intends to meet current needs to protect workers involved in repairs, maintenance, restoration and demolition works by amending the existing directive and introducing specific provisions that keep up with new scientific insights.

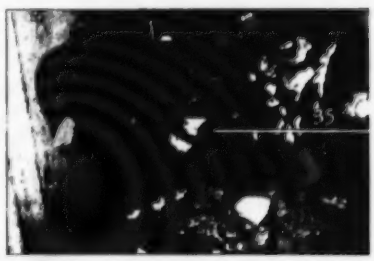
(11) Council Directive 89/391/EEC.
(12) Council Directive 92/57/EEC.

As far as noise is concerned, a first Council directive on the protection of workers from the risks related to exposure to noise at work was adopted in 1986. In 1993 the Commission presented a new proposal on physical agents, including noise, vibrations, electromagnetic fields and optical radiation, as a general framework in order to establish a clear and coherent prevention strategy. In 1999, the Council decided to start work limiting the Commission proposal to an individual directive on mechanical vibrations so as to facilitate speedy agreement. The Commission agreed to deal with the proposal on a step-by-step basis without discarding the other parts of it, which remain before the Council. The Council undertook to deal with the rest of the physical agents addressed in the Commission proposal at a later date.

On the basis of this, the Swedish Presidency started discussions on the part of the proposal relating to noise. Several meetings of the social affairs working party have been held and the efforts deployed by the Swedish Presidency and the Commission paved the way for political agreement on a common position at the Social Affairs Council of June 2001.

A further initiative concerns self-employed workers, who as a rule are not covered by Community directives on health and safety at work. Indeed, although much of the relevant Community legislation does not apply to them, self-employed workers are, more often that not, exposed to the same health and safety risks as employees. Moreover, there is no disputing the fact that accidents at work are most prevalent in the very sectors where the proportion of self-employed workers is traditionally highest, namely agriculture, fishing, construction and transport. Some Member States have taken these problems on board and have accordingly extended the scope of legislation to cover all workers, including the self-employed. However, others have not and so the levels of protection within the European Union differ widely.

Because of this, the Commission has launched a two-stage consultation of the social partners on the matter with a view to bringing any remaining self-employed workers within the scope of national legislation and/or adapting such legislation to cover self-employed workers, where necessary.



Over 4 million EU workers still suffer accidents each year despite the 30 or so health and safety directives designed to protect them.

Despite all these moves, however, the rate of accidents at work and occupational illness is still regrettably high even if the latest statistics do show a fall which may be due to the implementation of Community legislation. The most recent figures available (for the period 1993–98) reveal the following facts.

- The number of accidents leading to over three days off work was 4 198 066 in 1994 and 4 678 586 in 1998.
- Out of a reference population of 136.2 million, the rate of incidence per 100 000 gainfully employed workers for accidents requiring sick leave of over three days was 4 539 in 1994 and 4 089 in 1998.
- The number of fatal accidents was 6 432 in 1994 and 5 476 four years later. The rate of incidence per 100 000 gainfully employed workers (out of the same reference population) was 6.1 in 1994 and 5.0 in 1998.

Wider indicators do show that the implementation of Community law has had positive effects on reducing the number and rates of accidents but there is still some way to go.

The 2001 employment guidelines on adaptability stipulate that Member States should, together with the social partners or on the basis of agreements negotiated by them, ensure better application in the workplace of existing health and safety legislation (see below) by:

- better enforcement, guidance to help businesses comply with existing legislation,
- better training on occupational health and safety, and
- the promotion of measures to reduce occupational accidents and diseases in traditional high-risk sectors.

1) The challenge for welfare

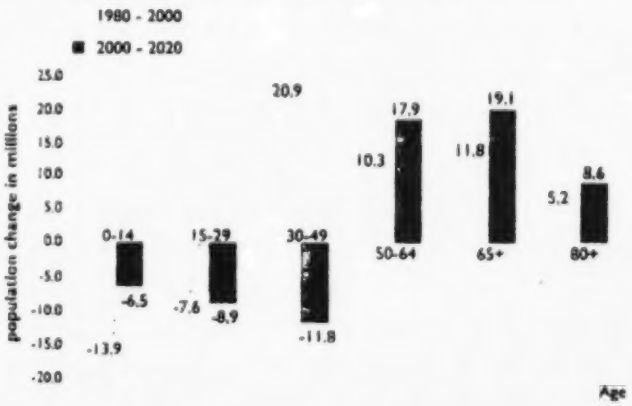
The welfare systems of Member States have provided their citizens with sound protection, doing much to help the social cohesion of which Europe can be justifiably proud. The challenge they now face is to adjust to the accelerating pace of demographic changes and the requirements of a rapidly evolving knowledge-based economy. Ways must be found to address the ageing and shrinking of the labour force and the pressure on pension and health expenditure emanating from demographic trends. The information revolution challenges welfare systems to ensure that the opportunities offered by new technologies are exploited to the full and that the risks of adverse side effects are minimised.

Achieving sustainable economic growth and full employment amid a successful transition to a knowledge-based but older Europe will mean scarce human resources have to be treated with much more care than in the past and thus new importance given to social policy. Current inequalities in income distribution, education and health represent a barrier to people participating fully in society. However, social policy can encourage the positive interactions between income, education, health and employment and this is something we must build on.

The timing and magnitude of changes will vary between Member States, but on the basis of demographic ageing the EU can expect:

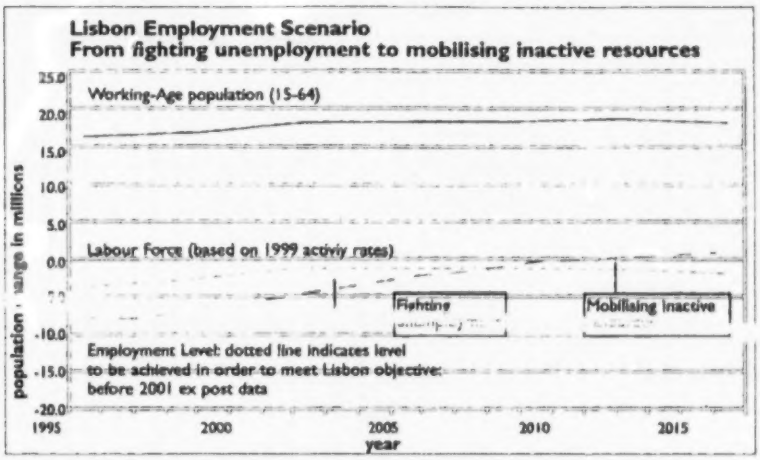
- a drop in the number of young labour-market entrants;
- an increase in the average age of the workforce;
- a fall in the overall size of the labour force;
- a rise in the number of pensioners, and
- an increase in the number of very elderly and of frail and dependent people.

Demographic trends by age group in the EU



The economic and social impact of ageing will be particularly pronounced in the coming decades as the lower fertility levels of the recent past combine with the retirement of the 'baby boomers' to affect dependency rates. The total fertility rate is below the replacement level in all Member States, but is especially low in the south.

VAILABLE

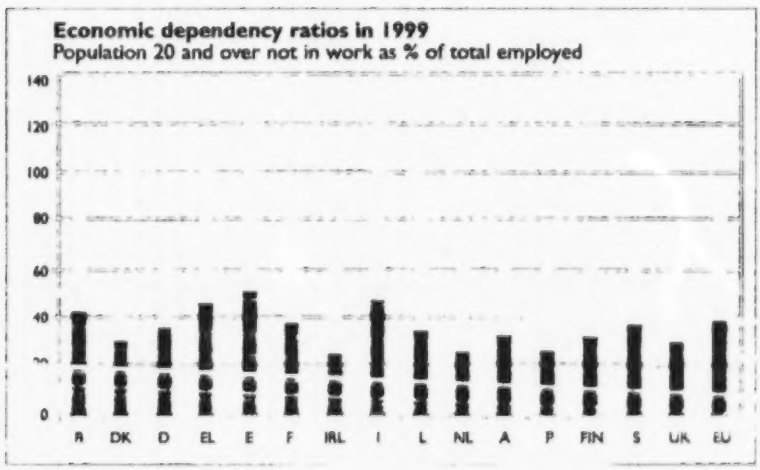


The Lisbon employment goal of achieving a 70 % employment rate by the year 2010, combined with these demographic trends, has important policy implications. Although Europe has succeeded in creating more jobs, it now needs active policies to reduce the number of inactive people. That is why the EU has already put in place measures to:

- encourage people to retire later in their lives;
- facilitate the reconciliation of work and private life;
- promote geographical and occupational mobility;
- combat labour-market discrimination;
- take full advantage of new technologies to promote a labour market open to all;
- increase the quality of jobs.

These policies are some of the essential ingredients of any strategy to guarantee full employment and an efficient, fair and sustainable European labour market in the years ahead.

Never too young to learn. The Stockholm European Council set EU Member States the challenge of achieving an employment rate of 50% for older workers by 2010.



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2) Ageing, employment and pensions sustainability

No reasonable policy measures will be able to counteract the change over the years ahead in the demographic structure of the European Union. However, it is not the demographic old-age dependency ratio that matters for the sustainability of pensions, but the economic dependency ratio.

It is therefore relevant to examine how demographic dependency translates into the economic dependency ratio (which is significantly higher) and transfer payments. Currently, the economic dependency ratio (people aged 20 and over not in work as a proportion of total employed) is 0.86 in the EU, which means that there are nearly as many working-age people who are not in work as people who are. Within the group of non-working adults nearly 6 out of 10 are below the age of 65, many of them in receipt of various benefits. The economic dependency ratio can be expected to be negatively affected by the rising old-age dependency ratio, but by reducing the number of inactive people among the working-age population it will be possible to alleviate the financial burden of ageing on the employed populace.

3) Pensions and their future sustainability

Although responsibility for pension schemes lies with the individual Member States, the challenge of ageing — and its implications for pension provision and health care — is one that all have in common. This is why there is an important European role for ensuring that there is an open exchange of experiences on pensions and their reform among the Member States. In its communication entitled 'The future evolution of social protection from a long-term point of view: safe and sustainable pensions', in 2000, the Commission set out its views on the main challenges for pension systems and pinpointed some areas of common concern which should form the basis of a pan-European discussion.

Long-term sustainability means:

- ensuring pensions can meet their social aims of providing safe and adequate incomes to retired persons and their dependants and ensuring decent living conditions for all elderly persons;
- maintaining their financial sustainability so that the future impact of ageing on public finances does not lead to an unbearable weight on public expenditure or to unfair burden sharing between the generations; and
- tailoring them better to the changing needs of society and individuals, thereby contributing to enhanced labour-market flexibility, equal opportunities for women and men in jobs and social protection.

Poverty rate (%) by Member State — 1997

(60 % of median equivalence income)

B	15	
DK	10	
D	14	(1996)
EL	22	
E	19	
F	17	(1996)
IRL	20	
I	19	
L	12	(1996)
NL	...	
A	...	
P	23	
FIN	9	
S	...	
UK	19	

Source: *Joint Inclusion Report, 2001.*

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The success of the EES will have a crucial role to play: the current tendency towards early retirement needs to be reversed — less than 25 % of people aged 60–64 are still in employment. Moreover, even though most of the net newly created jobs over the past few years have gone to women, there is still significant progress to made in boosting the female employment rate. Making it easier to reconcile work and family life plays a vital role in retaining women in the labour market.

Policy progress on pensions

The Lisbon Summit gave a decisive impetus to developing closer cooperation in the area of social protection. Since then, the high-level working party, and subsequently the Social Protection Committee, has focused its work on the fight against social exclusion and on the long-term sustainability of pensions. In addition, the Economic Policy Committee gave long-term forecasts (2000–50) of the effect of ageing on public pension expenditure. These projections are based on commonly agreed demographic and economic scenarios, as well as specific assumptions by each Member State about the long-term effect of planned or current pension reforms.

On the basis of these, the high-level working party on social protection submitted a progress report to the Nice European Council, calling for a comprehensive examination of the sustainability and quality of retirement pension systems. It also invited the Member States, in cooperation with the Commission, to exchange their experience and present their national strategies in this area.

In March 2001 the Stockholm European Council called for clear strategies to ensure adequate, sustainable pension provision. Less than four months later, in July, the Commission passed a second paper, proposing the so-called 'open method of coordination' (already in use for the EES and now for social inclusion) to formalise and strengthen EU cooperation. It set 10 common objectives for each Member State (centring on common goals, agreed indicators, regular reporting and identification of best practice) for the issue of pension reform. In line with the request from the Gothenburg Summit, the Commission proposed that agreement be reached by the end of 2001 so that the first national strategy reports could be prepared for summer 2002.

4) Fighting poverty and exclusion

One of the most distinctive features of the European social model is its commitment to social inclusion — ensuring that everyone in society can be a stakeholder. This is not just about moral rectitude; it makes good economic sense too. Marginalisation can be the source of antisocial and even criminal behaviour, and the price society has to pay for this is very high. Those who find themselves at the lower end of the social scale can all too often face difficulties in getting access to education or training, triggering a vicious circle in which deprivation and exclusion compound each other. This means that they cannot use their full economic and social potential for their own and the wider good. Consequently, the EU takes very seriously its commitment to social inclusion, with a number of key developments in the field recently.

A new commitment to strengthening policy cooperation in the fight against poverty and social exclusion is evident. Efforts in the Member States to modernise policies during the second half of the 1990s led in 2000 to agreement on a new open form of policy coordination and cooperation on social inclusion at Community level. Important national and international developments have contributed to this.

- Signs of growing inequalities prompted Member States to revisit key policies (employment, social protection, health, housing, justice, communication and mobility, and leisure and culture). The new policy insights stimulated a process of modernisation and improvement throughout the EU.
- Also during the second half of the 1990s came increased global/international level action for growth strategies and policies conducive to poverty reduction

and social cohesion (UN Social Development Conferences in Copenhagen (1995) and Geneva (2000); new global poverty reduction initiatives and policies by the World Bank, the OECD and the EU).

- While the realities of poverty and social exclusion vary between Member States, the challenges they face are often similar as are the efforts needed to tackle them. As a result, views in the Member States are converging in favour of:

  (1) balanced and coordinated approaches able to tackle the multidimensional and structural nature of poverty and social exclusion;

  (2) combining social and employment policies in mutually reinforcing ways to foster sustained participation in the labour market and increase the impact of employability measures;

  (3) increased efforts to ensure universal access to vital services and goods in areas such as health care, housing, education and lifelong learning, justice or family counselling;

  (4) preventive policies which tackle poverty and social exclusion before they take root;

  (5) fostering active participation of all in society — including the most vulnerable — be it through work or otherwise;

  (6) involving all key stakeholders in society, government as well as social partners, NGOs, business, the media and academia, in addition to those affected by exclusion.

- Encouraged by the favourable results of the EES, Member States have been keen to develop a similar approach for social inclusion too. The open method of cooperation developed under the strategy works well: common objectives which guide national action plans; comparable indicators by which to gauge progress, and a systematic exchange of experience and policy dialogue involving all stakeholders.

- All these developments culminated at the Lisbon European Council, where the fight against poverty and social exclusion was embedded as a key strategic element in the Union's overall strategy for 2000–10.

- The Nice Summit six months later subsequently agreed on four key Community-level objectives:

  (1) to promote participation and access for all to: stable and quality jobs; social protection systems which safeguard human dignity and make work pay; decent and sanitary housing; appropriate health care and education, justice and other public and private services such as culture, sport and leisure;

  (2) to prevent the risk of exclusion from new knowledge and technological developments, in situations of life crises, when family solidarity is threatened;

  (3) to help particularly vulnerable people and areas, by including them among the beneficiaries of mainline policies and targeted special measures;

  (4) to mobilise all stakeholders and to mainstream the fight against exclusion into overall policy.

- The new open method of coordination is designed to help Member States make decisive headway in eradicating poverty and social exclusion by 2010. Along the lines of the EES, the method combines national action plans (known as NAPincl) and a Community programme to support policy cooperation between Member States. A proposal for the programme was tabled by the Commission in June 2000. It did not propose to fund measures which would benefit excluded people directly, as this should remain the responsibility of the Member States. Rather, it was designed to support transnational cooperation which will help Member States increase the impact of policies on social inclusion. It will do this by supporting measures conducive to better understanding of poverty and social exclusion in the Union, to exchanging good practice under the NAPincl process and to drawing in the widest possible range of interested parties at European level. The programme is expected to be approved by the Council and European Parliament during 2001 so that it

could be launched at the beginning of 2002. To help prepare the ground for policy cooperation on social inclusion, the Commission has supported nearly 250 preparatory activities since 1999, to a value of over EUR 30 million.

- The NAPincl are designed to translate the objectives on poverty and social exclusion agreed at Nice into action in each Member State. A new Social Protection Committee established in the Council (December 2000) is to work with the Commission in examining the NAPincl, drawing up indicators and preparing a joint report (see below).

- Member States submitted their first two-year NAPincl in June 2001 after bilateral seminars in each capital city. The seminars confirmed broad support for the new process, with genuine efforts being made in most Member States to consult and involve all stakeholders and promote coordinated policy approaches.

- The Commission reviewed the NAPincl over the summer with a view to putting out a joint report, due in October 2001, in time for the European Council at Laeken (Brussels) in December 2001.

Preparing for enlargement

Enlargement is a major challenge for the Union as well as for the candidate countries. Negotiations and the pre-accession strategy are being stepped up in readiness for the 2004 target which was confirmed by the Gothenburg European Council: the aim now is to make it possible for those candidate countries which would be ready to join to do so in time for them to participate in the 2004 European Parliament elections.

Employment and social policy covers areas where there is a **substantial legal and institutional** acquis at EU level, such as labour law, free movement of workers, health and safety issues and equal opportunities, as well as areas such as social dialogue, employment and social protection which are essential to the European social model.

Candidate countries are required to implement the whole acquis, which means more than just transposing a body of texts into national law or applying them directly upon accession. It also entails having the structures, capacity, practices and new "culture" needed to implement Community law.

Significant progress has been achieved so far in the negotiations with candidate countries on Chapter 13 (employment and social policy), but efforts have to be pursued.

In the area of **labour law**, many amendments of a technical nature still need to be adopted. This legal framework is essential to ensure that relations in the workplace can evolve in a structured and stable environment that is conducive to fostering growth and competitiveness.

The biggest efforts to be made concern the area of **health and safety rules and standards**. Not only are candidate countries faced with a high amount of legislation, there are also significant investment implications, both for the national authorities and for private businesses, for example in adapting the workplace to these rules and standards, and ensuring appropriate structures of labour inspection.

As regards **gender equality**, candidate countries have to implement the nine EU directives on this area. This is not just a question of passing legislation but of developing the institutional capacity to enforce it effectively. Candidate countries have also to introduce the idea of gender mainstreaming in all policy areas. The 2000 Community directives on **discrimination** have also to be transposed by candidate countries.

Social dialogue is a key element of the European social model and candidate countries have to give it its full role and to support the social partners' administrative capacity to allow them to exercise their responsibilities at EU and national level. In the annual programming round for PHARE, the Community has continued to encourage the candidate countries to put forward projects that will strengthen their social dialogue structures at all levels.

To prepare the candidate countries for joining the **European Employment Strategy**, the Commission has developed close cooperation with them, resulting in the signature of "Joint Assessment Papers" (JAPs). The JAPs are a diagnosis of the labour market situation and trends and a proposal for policy reform. They contribute to identifying the policy priorities for the pre-accession strategy and PHARE support. They define the policy framework for preparing future European Social Fund intervention.

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Preparing the candidate countries for future ESF intervention also calls for initiatives aimed at strengthening their administrative capacity. These are implemented with the support of PHARE.

Free movement issues are addressed under Chapter 2 of the negotiations. The enlargement of the EU will open up markets and opportunities for existing Member States and for candidate countries. The labour forces of the candidate countries are well educated and have a fairly high level of formal qualifications. Although there will be a transitional period during which the workers of the candidate countries will not benefit from full free movement in the European Union, it is clear that, under national law, individual Member States can admit as many of them as they wish. This may prove a useful way for some sectors to overcome skills shortages. Once full free movement of workers applies, it will of course be reciprocal, thus allowing nationals of current Member States to go and work in the candidate countries.

Building on the experience of the Employment JAPs, the Commission will invite candidate countries to embark in 2002 on cooperation on **social inclusion**, with a view to involving them in the EU efforts based on the open method of coordination. Cooperation on social protection will also be developed. In accordance with the Conclusions of the Gothenburg European Council, the Commission will start covering candidate countries' initiatives as from its 2003 Annual Synthesis Report.

European Commission

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Useful web site addresses

1. The home page of the Commission's Directorate-General for Employment and Social Affairs: http://europa.eu.int/comm/employment_social/index_en.htm
2. The social policy agenda: http://europa.eu.int/comm/employment_social/news/2001/oct/socpolag/social_pol_ag_en.html
3. The European Employment Strategy, including the 2001 employment package (joint report, guidelines for 2002 and recommendations to Member States): http://europa.eu.int/comm/employment_social/empl&esf/ees_en.htm
4. The European Social Fund (ESF): http://europa.eu.int/comm/employment_social/esf2000/index.htm
5. European Employment Services (EURES): http://europa.eu.int/comm/employment_social/elm/eures/en/index.htm
6. Information society issues: http://europa.eu.int/comm/employment_social/soc-dial/info_soc/index_en.htm
7. Industrial relations and industrial change (including health and safety at work and corporate social responsibility): http://europa.eu.int/comm/employment_social/soc-dial/index_en.htm
8. Gender equality: http://europa.eu.int/comm/employment_social/equ_opp/index_en.htm
9. Anti-discrimination policy: http://europa.eu.int/comm/employment_social/fundamn/index_en.htm
10. Social inclusion (including disability issues, ageing, pensions and social protection): http://europa.eu.int/comm/employment_social/soc-prot/index_en.htm
11. International cooperation (including enlargement): http://europa.eu.int/comm/employment_social/intcoop/index_en.htm
12. Recent publications from the Employment and Social Affairs DG: http://europa.eu.int/comm/dgs/employment_social/pub_en.htm

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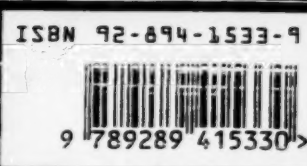

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